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## Thatcher's Pension Reforms

### The Fowler Inquiry into Provision for Retirement and the 1986 Personal Pensions Revolution

#### A witness seminar

Institute and Faculty of Actuaries, Staple Inn, High Holborn, London, Wed 6 December 2017, 5.30-7.30 pm (registration from 5 pm), followed by a reception.

#### About the research

In 1986, the UK government passed legislation to usher in a new world of 'personal pensions' - the most obviously significant of the many reforms made to Britain's pension system by successive Conservative governments after 1979.

These reforms are presently under investigation by the 'Thatcher's Pension Reforms' research project, funded by the Arts and Humanities Research Council. This is mining a rich seam of archival documents as well as conducting oral history interviews.

Amongst other things, the project has explored the making of the 1986 Social Security and Financial Services Acts – major legislative reforms that radically altered the form of Britain's overall pension system, with significant long-term consequences.

Yet our research has also revealed the disappointment with the 1986 legislation felt by some architects of the 'personal pensions revolution'.

#### The making of policy to 1986

Personal pensions offered those in favour of revolutionary reform the opportunity to kill two birds with one stone. First, moving workers out of the State Earnings-Related Pensions Scheme into personal pensions would get the state out of the top-up pensions business, saving very significant sums over the long-term as well as liberating individuals from dependency on state benefits. Personal pensions could also, however, create a

#### ABOUT THE PROJECT

This 4-year AHRC-funded project began work in September 2014. It is exploring reforms to Britain's pension system implemented by the Conservatives in the 1980s and assessing their longer-term consequences.

#### FOR MORE INFORMATION

Details of the project team, the project blog and publications can be found online at [www.thatchers-pension-reforms.uk](http://www.thatchers-pension-reforms.uk)

The project's Principal Investigator, Prof [Hugh Pemberton](#), can provide further information. Email: [h.pemberton@bristol.ac.uk](mailto:h.pemberton@bristol.ac.uk)

The [Arts and Humanities Research Council](#) (AHRC) funds world-class, independent research that not only provides social and cultural benefits but also contributes to the economic success of the UK. The views expressed in this document are those of the project not those of the AHRC.

nation of individual investor capitalists, in the process destroying the dominance of occupational pension funds and insurance companies. That was seen as desirable because: a) they were identified as institutions of intermediation which formed a barrier between an individual and their wealth; b) that in turn produced market failure via the misallocation of investment; and c) the funds were possible targets for nationalisation by a socialist government.

This agenda originated in 1983 with proposals by the Centre for Policy Studies think-tank (which used the technical problem of 'early-leavers' from occupational schemes as a hook on which to hang its radical proposals for change). Its foremost supporter in government was the No. 10 Policy Unit, then headed by John Redwood.

A public Inquiry into Provision for Retirement, headed by the Secretary of State for Social Services, Norman Fowler took evidence which revealed a wide array of opponents to the proposed revolution.

Despite the scepticism so revealed, the pensions proposals within the 1985 green paper *Reform of Social Security* were astonishingly radical. SERPS was to be abolished over three years for all but those within 15 years of retirement. Members of SERPS would be compelled to take out a personal pension. Members of occupational schemes would be incentivised to do so.

After a storm of protest, the government stepped back. Personal pensions were implemented in 1986 with incentives to those taking one out, but SERPS continued (albeit with long-term cuts in its benefits).

## The Witness Seminar

Why and how were the ambitions of those advocating revolutionary change disappointed? Those questions will be addressed on 6 December 2017 by a witness seminar at Staple Inn in London which will bring key actors in the Fowler Inquiry that preceded the 1986 legislation together to explore its mechanics and policy significance.

### Some key questions for the panel

1. Was the Centre for Policy Studies the sole progenitor of the personal pensions idea?
2. Who within government was persuaded by the CPS's criticism of institutional pension providers for both obscuring an individual's relationship with their capital and providing an easy route for nationalisation by a socialist government?
3. Why was the Inquiry into Provision for Retirement set up, and with what aims? Why public? Who wrote its terms of reference?
4. What did the Inquiry's chairman, Norman Fowler, hope it would achieve, and what was his initial reaction to the personal pensions idea?
5. What objections were expressed to the Inquiry about the abolition of SERPS and the

potential effects on occupational schemes of personal pensions?

6. Who supported personal pensions, and why?
7. Who was in favour of SERPS abolition, and why?
8. Why, given the very widespread scepticism revealed by the Inquiry (not just from pension funds but from large employers, trades unions, the pensions industry and the actuarial profession) did the green paper of June 1985 propose both to abolish SERPS and incentivise members of occupational schemes to transfer into a personal pension?
9. One of the initial aims of personal pensions had been the liberation of the individual. How did ministers square that with the green paper's proposal to compel SERPS members to transfer into a personal pension?
10. The government was plainly wrong-footed by the opposition of large insurers such as Save & Prosper and Legal & General which it had assumed would welcome closing SERPS and compelling its members to take out a personal pension. Why was it so surprised?
11. Why was there not more (or more effective) opposition to the cuts to SERPS proposed in the December 1985 white paper?
12. The Department of Health and Social Security took the lead in the policy-making process - did it lack necessary expertise in private (funded) pensions, and was that a problem?
13. The No. 10 Policy Unit predicted that the outcome which the 1986 legislation actually implemented would represent the 'worst of pension worlds'. Was it right?

### MORE DETAILS

A fuller briefing note is available on the project's website: <https://pensions-history.uk/thatchers-pension-reforms/briefings/>

### FUTURE WORK

After this witness seminar, the Thatcher's Pensions Reform project will move on from the making of policy to consider its legacy. As part of that work, we hope to hold a further witness seminar in 2018 which will bring later pensions ministers together to consider how the 1980s reforms shaped the landscape of pensions within which they operated, the opportunities and/or problems it created, and the degree to which it also constrained options for change